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南京熊猫电子股份有限公司

NANJING PANDA ELECTRONICS COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00553)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 30% EQUITY INTERESTS IN LG PANDA

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 25 October 2021, the Company entered into the Equity Transfer Agreement with PEGL, pursuant to which, PEGL (as the transferor) agreed to transfer 30% equity interests in LG Panda to the Company (as the transferee) at the cash consideration of RMB426,300,000.

Upon completion of the Equity Transfer Agreement, the Company will hold 30% equity interests in LG Panda. LG Panda will become an associated company of the Company while its financial results will not be consolidated into the financial accounts of the Company.

LISTING RULES IMPLICATIONS

As PEGL is the controlling Shareholder of the Company, it is a connected person of the Company as defined by Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer exceeds 5%, therefore, the Equity Transfer constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Equity Transfer exceeds 25% but is less than 100%, therefore, the Equity Transfer also constitutes a major transaction of the Company and is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The Company will hold an EGM to consider and, if thought fit, approve (among other things) the Equity Transfer, the execution of the Equity Transfer Agreement and the transaction contemplated thereunder. PEGL and its associates shall abstain from voting on the resolution in relation to the Equity Transfer, the execution of the Equity Transfer Agreement and the transaction contemplated thereunder at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors will be formed by the Company to advise the Independent Shareholders in respect of the agreement and the transaction contemplated thereunder. The Company has appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Equity Transfer and the terms of the Equity Transfer Agreement and the transaction contemplated thereunder.

An EGM will be convened and held by the Company for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transaction contemplated thereunder. A circular containing, among other things, (i) further details of the Equity Transfer; (ii) other information required under the Listing Rules; and (iii) a notice of EGM and related proxy form, is expected to be despatched to the Shareholders on or before 15 November 2021.

Shareholders and potential investors shall note that the Equity Transfer is subject to certain precondition; therefore, the Equity Transfer may or may not proceed. Thus, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

On 25 October 2021, the Company entered into the Equity Transfer Agreement with PEGL, pursuant to which, PEGL (as the transferor) agreed to transfer 30% equity interests in LG Panda to the Company (as the transferee) at the cash consideration of RMB426,300,000.

Upon completion of the Equity Transfer, the Company will hold 30% equity interests in LG Panda. LG Panda will become an associated company (therefore not a subsidiary) of the Company while its financial results will not be consolidated into the financial accounts of the Company.

EQUITY TRANSFER

Summary of the main terms of the Equity Transfer Agreement is set out as follows:

Date of agreement:

25 October 2021

Parties:

- (i) PEGL (as the transferor)
- (ii) the Company (as the transferee)

Subject matter of the Equity Transfer

As at the date of the Equity Transfer Agreement, PEGL held 30% equity interests in LG Panda. According to the Equity Transfer Agreement, PEGL (as the transferor) agreed to transfer its 30% equity interests in LG Panda to the Company (as the transferee).

Consideration and its basis

According to the Valuation Report (Dong Zhou Ping Bao Zi [2021] No. 1746) issued by Shanghai Orient Appraisal Co., Ltd. with 30 June 2021 as the valuation benchmark date, the appraised value of the entire shareholders' equity interest in LG Panda was RMB1,421,000,000 (adopting income approach to conclude the valuation results). Therefore, based on such valuation result and with relevant negotiations, the parties have agreed that the total consideration of the Equity Transfer shall be RMB426,300,000.

Condition precedent

The completion of the Equity Transfer shall be subject to the approval of the Equity Transfer Agreement and the Equity Transfer at the general meeting of the Company.

Payment of consideration and completion

The total consideration of the Equity Transfer of RMB426,300,000 will be paid to PEGL in cash in a lump sum within 10 days by the Company after the above condition precedent has been fulfilled and LG Panda has completed the business registration procedures for the Equity Transfer.

The Company shall assume the profit and loss to be incurred by LG Panda from the valuation benchmark date (i. e. 30 June 2021) to the completion date.

Profit Forecast in respect of the Valuation of Equity Interests of LG Panda

Given the adoption of the income approach in the above valuation of LG Panda, this valuation is deemed to be a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the Company discloses the following details of the valuation in accordance with the Listing Rules.

The appraised value of the entire equity interest in LG Panda adopted in the valuation report has been determined based on the following principal assumptions:

(I) Basic Assumptions

1. *Transaction assumption*

The transaction assumption is to assume that all assets to be valued are already in the process of transaction, and the asset appraiser conducts value valuation based on the simulated market such as the transaction conditions of the assets to be valued. Transaction assumption is the most basic premise for asset valuation to be carried out.

2. *Open market assumption*

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. *Enterprise going concern assumption*

Enterprise going concern assumption is assuming that, the appraised entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. *Assumption about the use of an asset for an existing purpose*

Assumption about the use of an asset for an existing purpose is assuming that the asset will continue to be used for its existing purpose. First, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(II) General Assumptions

1. The valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.
2. The valuation does not consider the impact on the appraised entity's valuation conclusion of any collateral or guarantee that the appraised entity and its assets may assume in the future, or any additional price that may be paid as a result of special transactions.
3. It is assumed that there will be no significant changes in the socio-economic environment in which the appraised entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.
4. The current and future business operations of the appraised entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

(III) Special valuation assumptions for the income approach

1. The future earnings of the appraised entity can be reasonably expected and measured in monetary terms; the risks associated with the expected earnings can be measured; and the period of future earnings can be determined or reasonably expected.
2. It is assumed that the current and future management of the appraised entity is complied with the laws and regulations, diligently performing its operation and management functions. After the implementation of such capital increase, there will be no serious impact on the development of the enterprise or damage to the interests of shareholders, and it will continue to maintain the existing operation management model and management level.

3. It is assumed that the core management and technical team of the appraised entity will remain stable in the future forecast period, and there will be no significant changes affecting the business development and profit realization of the enterprise.
4. It is assumed that the accounting policies adopted by the appraised entity after the valuation benchmark date is consistent with the accounting policies adopted for the preparation of this valuation report in material aspects.
5. It is assumed that the appraised entity will have even cash inflow and cash outflow after the valuation benchmark date.
6. It is assumed that the appraised entity will continue to be licensed after the expiry of its business qualification.
7. This valuation assumes that upon expiry of the lease agreement of the premise of the appraised entity, the appraised entity will be able to be renewed for further use in accordance with the terms of the lease agreement or that premises of similar terms and scales will then be available at market rental prices.

BDO China SHU LUN PAN Certified Public Accountants LLP, the reporting accountant of the Company, has reviewed the arithmetical accuracy of calculations of relevant forecasts by income approach in the valuation, which does not involve reasonableness for the adoption of accounting policies and assumptions. The Board confirms that the profit forecast (including assumptions) of LG Panda as set out in the valuation report has been made after due and careful enquiry. The letters issued by BDO China SHU LUN PAN Certified Public Accountants LLP and the Board are set out in Appendix I and Appendix II to this announcement, respectively.

The following are the qualifications of the experts who have given their opinions or advices which are contained in this announcement:

Name	Qualification	Date of opinion or advice
BDO China SHU LUN PAN Certified Public Accountants LLP	Certified Public Accountants	25 October 2021
Shanghai Orient Appraisal Co., Ltd.	Qualified PRC Valuer	21 October 2021

As at the date of this announcement, as far as the Directors are aware, each of the experts did not have any beneficial interest in the share capital of any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible bonds, warrants, options or derivatives which carry voting rights in any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter or report and/or reference to its name.

INFORMATION OF LG PANDA

LG Panda is a Sino-foreign joint venture established in the PRC on 21 December 1995 with a registered capital of US\$35.7 million as at the date of this announcement. As at the date of this announcement, LG Panda is owned as to 30%, 50% and 20% by PEGGL, LG Electronics and LG Electronics (China) Co., Ltd., respectively. LG Panda does not have any subsidiary as at the date of this announcement.

At the time of LG Panda's establishment in 1995, PEGGL made a capital contribution of US\$4.71 million (holding 40% of LG Panda's equity interest then). In June 2002, as PEGGL did not participate in the capital increase of LG Panda, the shareholding percentage of PEGGL decreased to 30%. In August 2012, PEGGL participated in the capital increase of LG Panda by contributing an amount of US\$6 million on a pro-rata basis. After such capital injection, PEGGL's total capital contribution to LG Panda increased to US\$10.71 million. Therefore, its shareholding percentage in LG Panda remained at 30%.

The principal businesses of LG Panda include the development and production of fully automatic washing machines, related components and other household appliances; research and development of white goods; research, development and production of automotive components such as automotive drive motors, in-vehicle infotainment systems and inverters; automotive and mould design services; sales (including domestic sales and export) of self-produced products and provision of related after-sales services; wholesale, import and export business of its own products, similar products, moulds, fixtures, equipment, parts and components, etc.; and educational and cultural exchange and consultation services.

The unaudited financial information of LG Panda for the two financial years ended 31 December 2020 (in accordance with the PRC Accounting Standards for Business Enterprises) is set out below.

	Year ended 31 December 2020 (Unaudited) RMB	Year ended 31 December 2019 (Unaudited) RMB
Net (Loss)/profit before tax	174,817,017.14	274,147,498.42
Net (Loss)/profit after deduction of tax	<u>133,947,553.02</u>	<u>208,508,441.02</u>

	As at 31 December 2020 (Unaudited) RMB	As at 31 December 2019 (Unaudited) RMB
Total assets	3,109,125,588.19	2,743,679,550.51
Total liabilities	2,087,502,374.35	1,710,047,980.98
Net assets	<u>1,021,623,213.84</u>	<u>1,033,631,569.53</u>

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

1. Improving industrial synergy

The Company's acquisition of LG Panda's equity is conducive to promoting and expanding the bilateral cooperation in electronic manufacturing services and related fields, and improving industrial synergy. The Company has cooperated with LG Panda in business fields such as circuit board and injection molding. After the acquisition, it is conducive to promoting the further expansion and upgrading of these businesses; relying on its service foundation, experience and capability in the field of white appliances, the Company may provide new materials, ODM and electronic manufacturing services for LG Panda washing machine products in an all-round way; at the same time, it provides opportunities for the Company to build a complete industry chain from component R&D and manufacturing to terminal product production and manufacturing, which is conducive to further promoting our own brand influence.

2. Promoting our digital transformation

The Company's acquisition of LG Panda's equity is conducive to pushing forward the bilateral cooperation in the field of smart manufacturing, and promoting the practices of digital transformation and supporting application of the Company's smart manufacturing in the field of white appliances.

3. Improving profitability and increasing return to shareholders

For a long time, the Company has been faced with market risks and operation risks caused by the intensified industry market competition, the rapid change of technologies and the continuous emergence of new business models. LG Panda is a profit-making company, and the market share of LG Panda's LG brand washing machine is among the best, with stable business in recent three years. Its profitability is sustainable and it has certain growth potential in the future. At the same time, the resolution of the board of directors of LG Panda stipulates that its dividend distribution shall be based on the audited after-tax profit for the year,

and the distribution ratio shall be 70%. The Company's acquisition of LG Panda's equity will increase the Company's investment gains, improve profitability, increase return to shareholders, increase earnings per share and obtain stable cash flow.

For the above reasons and benefits, the Directors of the Company (save for the independent non-executive Directors whose views shall be set out in the circular) consider that the terms of the transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND PEGL

The principal businesses of the Group include the development, manufacture and sale of wireless broadcast television transmitting equipment, together with the after service and technology service; developing, manufacturing and sale of communication equipment, computer and other electronics devices; instruments and meters, office machinery; electronic apparatus and equipment; plastic products; draught fan, weighing apparatus, package equipment and general equipment; processing equipment of chemical engineering, wood and non-metal; PTD and control equipment; environment-friendly, social public security products and etc.; financial and tax-control devices; power products; moulds; computing service industry, software industry, system integration; property management; together with the after service and technology service.

PEGL is principally engaged in development, manufacture, sales and maintenance of various kinds of communication equipment, home appliance products, electronic equipment, electronic intelligent equipment, computer and other electronic equipment, radio and television equipment, video and audio equipment, electronic devices and components, environment protection equipment, social public service and other special equipment, electronics and electrical machinery equipment, instruments and meters, office machinery, general finance/tax control equipment; development of computers and IT software, system integration equipment and services; property management; parking services. Licensed items: accommodation services; real estate development and management. PEGL is an indirect subsidiary of China Electronics Corporation (中國電子信息產業集團有限公司). China Electronics Corporation is principally engaged in the research, development, design, manufacture and product supporting sale of electronic raw materials, electronic devices and components, electronic instruments and meters, complete sets of electronic products, electronic application products and systems, special electronic equipment, auxiliary products and software; general contracting, organization and management of electronic application system projects, construction projects, communication projects, and water treatment projects; development, promotion and application of environment protection and energy saving technologies; development and operation of real estate; sales of automobiles, auto parts, hardware and electrical equipment, photographic apparatus, construction materials, decorative materials and apparel; exhibition management; house repairing business; consulting services, technical services and transfer; maintenance and sales of home appliances.

LISTING RULES IMPLICATIONS

As PEGL is the controlling Shareholder of the Company, it is a connected person of the Company as defined by Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer exceeds 5%, therefore, the Equity Transfer constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Equity Transfer exceeds 25% but is less than 100%, therefore, the Equity Transfer also constitutes a major transaction of the Company and is subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Given that Mr. Zhou Guixiang, Mr. Li Renzhi and Mr. Shen Jianlong all hold positions in Nanjing Electronics Information Industrial Corporation* (南京中電熊貓信息產業集團有限公司), the controlling Shareholder of PEGL, Mr. Deng Weiming holds position in Nanjing CEC PANDA Home Appliances Co., Ltd.* (南京中電熊貓家電有限公司), the subsidiary of Nanjing Electronics Information Industrial Corporation, Mr. Li Changjiang holds position in Nanjing Changjiang Electronics Group Co., Ltd.* (南京長江電子信息產業集團有限公司), the wholly-owned subsidiary of Nanjing Electronics Information Industrial Corporation* and Mr. Xia Dechuan holds position in LG Panda, they have abstained from voting on the resolution regarding the abovementioned transaction at the relevant Board meeting. Save for the disclosed above, as at the date when the Board considered the abovementioned resolution, no other Directors have any material interest in the Equity Transfer contemplated under the Equity Transfer Agreement and therefore no other Directors have abstained from voting on such resolution of the Board.

GENERAL

The Company will hold an EGM to consider and, if thought fit, approve (among other things) the Equity Transfer, the execution of the Equity Transfer Agreement and the transaction contemplated thereunder. PEGL and its associates shall abstain from voting on the resolution in relation to the Equity Transfer, the execution of the Equity Transfer Agreement and the transaction contemplated thereunder at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors will be formed by the Company to advise the Independent Shareholders in respect of the agreement and the transaction contemplated thereunder. The Company has appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Equity Transfer and the terms of the Equity Transfer Agreement and the transaction contemplated thereunder.

An EGM will be convened and held by the Company for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transaction contemplated thereunder. A circular containing, among other things, (i) further details of the Equity Transfer; (ii) other information required under the Listing Rules; and (iii) a notice of EGM and related proxy form, is expected to be despatched to the Shareholders on or before 15 November 2021.

Shareholders and potential investors shall note that the Equity Transfer is subject to certain precondition; therefore, the Equity Transfer may or may not proceed. Thus, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the following terms used herein have the following meanings:

“Board”	the board of Directors
“Company”	Nanjing Panda Electronics Company Limited (南京熊猫电子股份有限公司), a joint stock company incorporated in the PRC with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer”	transfer of 30% equity interest in LG Panda by PEGGL (as the transferor) to the Company (as the transferee) at the cash consideration of RMB426,300,000 as contemplated under the Equity Transfer Agreement
“Equity Transfer Agreement”	an equity transfer agreement dated 25 October 2021 in respect of the Equity Transfer entered into by the Company and PEGGL, major terms of which are set out in this announcement
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Vincent
“Independent Shareholder(s)”	Shareholders not involved in or having material interests in the Equity Transfer Agreement and the transaction contemplated thereunder
“LG Electronics”	LG Electronics Co., Ltd., a company incorporated under the laws of South Korea
“LG Panda”	Nanjing LG Panda Appliances Co., Ltd. (南京樂金熊貓電器有限公司), a Sino-foreign joint venture incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PEGL”	Panda Electronics Group Limited (熊貓電子集團有限公司), the controlling Shareholder of the Company holding approximately 23.05% of the total issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“PRC Valuer”	Shanghai Orient Appraisal Co., Ltd.
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Company’s shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Valuation Report” an asset evaluation report in respect of all equity interest in LG Panda prepared and issued by the PRC Valuer

“%” per cent

By Order of the Board
Nanjing Panda Electronics Company Limited
Zhou Guixiang
Chairman

Nanjing, the People’s Republic of China
25 October 2021

As at the date of this announcement, the Board comprises Executive Directors: Mr. Zhou Guixiang, Mr. Li Renzhi and Mr. Xia Dechuan; Non-executive Directors: Mr. Shen Jianlong, Mr. Deng Weiming and Mr. Li Changjiang; and Independent Non-executive Directors: Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Vincent.

APPENDIX I LETTER OF THE REPORTING ACCOUNTANT ON PROFIT FORECAST OF LG PANDA

INDEPENDENT ASSURANCE REPORT ON ARITHMETICAL ACCURACY OF THE CALCULATIONS OF THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF NANJING LG PANDA APPLIANCES CO., LTD.

25 October 2021

To the Board of Directors of Nanjing Panda Electronics Company Limited (the “**Company**”)

We refer to the discounted future cash flows on which the assets valuation (“the **Valuation**”) dated 21 October 2021 prepared by Shanghai Orient Appraisal Co., Ltd. with respect to the valuation of 100% equity of Nanjing LG Panda Appliances Co., Ltd. (the “**LG Panda**”) as at 30 June 2021 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibility for the Discounted Future Cash Flows

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors and set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

It is our responsibility to form a conclusion, based on our work on the arithmetical accuracy of the calculations of the discounted future cash flows on which the Valuation is based, and to report, as required by paragraph 14.62(2) of the Listing Rules, on the arithmetical accuracy of the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

We conducted our work in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical accuracy and compilation of the discounted future cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Conclusion

In our opinion, so far as the arithmetical accuracy of the calculations are concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other Matters

Without qualifying our opinion, we draw your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of LG Panda or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully

BDO China Shu Lun Pan
Certified Public Accountants LLP

APPENDIX II LETTER OF THE BOARD ON PROFIT FORECAST OF LG PANDA

南京熊猫电子股份有限公司

NANJING PANDA ELECTRONICS COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00553)

The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

25 October 2021

Dear Sirs,

**TRANSACTION CONTEMPLATED UNDER EQUITY
TRANSFER AGREEMENT OF LG PANDA**

We refer to the valuation report (the “**Valuation Report**”) prepared by Shanghai Orient Appraisal Co., Ltd. (the “**PRC Valuer**”) in relation to the valuation of all equity interest in LG Panda as at the valuation benchmark date (i.e. 30 June 2021). The valuation of LG Panda (the “**Valuation**”) was conducted based on income approach and is thus regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have considered every aspect regarding the Valuation, including the basis and assumptions upon which the Valuation has been prepared, and have reviewed the Valuation for which the PRC Valuer is responsible. We have also considered the letter dated 25 October 2021 from our reporting accountant, BDO China SHU LUN PAN Certified Public Accountants LLP, regarding the arithmetical accuracy of the calculations and whether the forecast was compiled properly according to the assumptions set out in the Valuation Report. We have noticed that the calculations of forecast in the Valuation were accurate, and fulfilled the basis and assumptions set out in the Valuation Report.

On the basis of the foregoing, we are of the opinion that the forecast has been made after due and careful enquiry.

By Order of the Board
Nanjing Panda Electronics Company Limited
Zhou Guixiang
Chairman